

NORTH CAROLINA

Department of Commerce



March 17, 2011 NER Appropriations Subcommittee Presentations on Commerce/ESC Merger

Benefits

- Increased efficiencies in workforce development programs
- Improved customer service to citizens seeking job training opportunities

Commonalities

1. Commonalities exist between Employment Service Division (ES) of ESC and Commerce's Division of Workforce Development (DWD).
2. Commonalities exist between Labor Market Information Division (LMI) of ESC and Commerce's Division of Policy, Research and Strategic Planning (PRSP).
3. Commonalities exist between management and support functions within ESC however the two organizations operate in markedly different fashions. For example, Commerce does not operate facilities with the exception of the 9 state Welcome Centers as assisted by DOT. ESC operates over 90 local offices where services are delivered.
4. Commonalities do not exist between Commerce and the Unemployment Insurance Division (UI) of ESC.

Discussion

1. Merger of the Employment Service Division (ESC) and Commerce's Division of Workforce Development

Budgetary Impact

Merging the two divisions may result in more efficient use of federal funds as both divisions are 100% federally funded.

Key Issues for Consideration

- The legality of Employment Security as contractors operating Workforce Investment Act (WIA) programs at local service delivery points has been broached with USDOL officials. Additional steps to seek federal and state level guidance and document proper processes will need to take place.
- Clarification on the role of local service delivery points in delivering (UI) services. Much of the customer traffic in local offices is seeking UI assistance, which are not core services funded by ES or DWD federal allocations.

2. Merging the Labor Market Information Division (LMI) of ESC and Commerce's Division of Policy, Research and Strategic Planning (PRSP)

Budgetary Impact

LMI is 100% federally funded. PRSP receives a recurring annual appropriation of approximately \$1.1 million in recurring General Funds.

Key Issues for Consideration

- PRSP provides data and analyses for economic development recruitment and retention projects; these functions cannot be paid for with federal funds, therefore some essential job creation functions of the new division must continue to be funded with state funds.
- Any merger must result in continued support for economic development, job creation activities, improved customer service delivery, and meeting LMI's strict data collection requirements that must be met for the Bureau of Labor Statistics.
- PRSP maintains the state's Economic Development Intelligence System (EDIS) that must continue to be funded with state funds because it contains specific information on available buildings and industrial sites vital to recruiting employers.

3. Merging management and support functions of ESC and Commerce

Budgetary Impact

Based on the intricate and intertwining nature of the funding sources (Federal, state, tax receipt, trust fund, receipts from fees) for ESC and Commerce a detailed analysis of state and federal funds must be completed to determine efficiencies.

Key Items for further Consideration:

- Commerce currently has a major task of properly accounting for and disbursing over \$212M in ARRA funds through FY 11-12
- ESC ramped up its staff to meet the high demands placed on its services by the recession.
- The number of personnel at both agencies will necessarily be reduced as the ARRA activity winds down and the unemployment numbers decline.
- Use of funds limitations exist within the federal funding streams.

4. Merger of Unemployment Insurance Division (UI) of ESC into Commerce

Budgetary Impact

- The UI Division is funded primarily by federal funds.

Key Items for further Consideration

- An evolving support structure for any merger must maintain an emphasis on providing adequate support to the points of service delivery for workforce development and UI.
- Disruptions to the receipt of weekly benefits must be avoided.